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ABSTRACT

Contractual agreements as a means of attracting new students and funds for colleges and universities are discussed. Emphasis is placed on the possible groups an institution may look to for contractual agreements, i.e., the state, other institutions of higher education, industry, and various other organizations. Advantages and problem areas of contractual agreements are reviewed in relation to specific examples of contracts already in existence. (MJM)

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Research Currents

CONTRACTS AND NEW MARKETS IN HIGHER EDUCATION

by Maryjane Miskel

To mitigate their financial plight, many institutions of higher education have resorted to cutbacks in spending, faculty size, and numbers of programs offered, in combination with tuition increments. These measures are often implemented to forestall closing, but many times they negatively affect the achievement of dynamic growth of quality education. Other more positive means of alleviating financial stress focus on new student markets, interinstitutional cooperation (consortium), and resource sharing. This report focuses on contractual agreements as a means of attracting new students and funds. Emphasis is placed on the possible groups an institution may look to for contractual agreements, i.e., the state, other institutions of higher education, industry, and various other organizations. Advantages and problem areas of contractual agreements will be reviewed in relation to specific examples of contracts already in existence.

CONTRACTUAL AGREEMENTS

A contract is a formal agreement between two parties where one party usually offers goods or services in exchange for a fee. This arrangement enables a college or university to increase its income through additional tuition by attracting new student markets and through more effective use of either one-site or existing on-campus facilities. Such an agreement enables a college or university to make formal arrangements with the state, other institutions of higher education, industry, or other organizations while maintaining its own identity.

State Contracts. Types of state aid to private higher education may encompass contractual agreements, direct institutional aid, facilities assistance, student aid, and combinations thereof. The choice of state response to private higher education is often determined by legal, constitutional, or political considerations which vary from state to state (Millard 1974). As a result of these considerations, a contractual arrangement is, in some cases, the most feasible means of granting state aid to private higher education. Within the last three years, these agreements have provided an important form of state aid. Currently some 16 states have developed contractual agreements (usually with private institutions) for programs that are either in short supply or would be high in cost to develop, and that fit in with major state objectives (Magarrell 1974). Most of these agreements are in the medical- and health-related fields; however, some extend to graduate study, teacher education, law, computer usage, and libraries. Five of the 16 states have developed general contractual arrangements that provide space for additional state residents, including North Carolina, Connecticut, and New Jersey, which specify that this space is to be used for disadvantaged students (Millard 1974).

Ohio provides an excellent example of a state contracting with private institutions to provide *specific* services, that is, programs that would be too high in cost for the state to develop. During the 1974-75 academic year, Ohio will provide the Board of Regents with $1 million to offer courses of study not presently available on public campuses through contracts directly with private colleges. A citizen's Task Force, called for by the legislation, recommended four considerations for allocation of the money. The considerations suggest contract approval based on the extent to which the proposed contract: (1) promotes cooperative programming and the sharing of resources; (2) fulfills specified public needs; (3) promotes the coordination of state resources through the Board of Regents; and (4) provides unique administrative or instructional services ("Ohio Appropriates . . .," 1974).

Minnesota provides an example of *general* contractual agreements that provide increased educational services for state residents. The Minnesota Higher Education Coordinating Board (HECC) has awarded $1,475,199 to 21 private colleges in the state for the 1973-74 academic year. Under the Private Colleges Contract Program, the Board contracts with approved private colleges and universities for services rendered to the state through education in approved programs. According to Richard C. Hawk, HECC Executive Director, "the program assists private colleges by paying part of the cost of educating large numbers of Minnesota residents by giving them the opportunity to attend the institution of their choice . . . the program benefits the tax-

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payer by providing the mechanism for meeting the needs of some residents at a low cost to the state" (Minnesota Higher Education Coordinating Commission 1974a, p.1).

Both the Ohio and Minnesota plans are designed to provide funds to private colleges in return for services rendered. In the case of Ohio, specific services rendered encompass programs needed within the state, while the Minnesota plan covers the general education of additional state residents. Contracts based on the mutual needs of state and private institutions provide financial assistance to the college while meeting state objectives.

Whichever type of contractual arrangement is designed, provided there is careful planning, both parties can benefit. The state benefits from these agreements, in that a greater number of state residents may be educated without construction of new facilities. Also, a larger program area for study may be offered without the additional expense of providing duplicate state facilities. The private sector benefits from contractual arrangements with the state by more efficient use of existing facilities and by servicing more students, thereby obtaining increased tuition income. Assuming the private sector is assisting the state to meet its objectives, contractual arrangements may provide a symbiotic relationship in which both parties will benefit.

Interinstitutional Contracts. Both noncontractual and contractual agreements provide institutions with the means to employ existing alternative educational resources to meet particular educational needs (Carnegie Commission 1973b). The noncontractual arrangement provides voluntary cooperative arrangements including nonreimbursable resource sharing, while the contractual arrangement usually includes reimbursements to an institution for the use of its resources. The contractual agreement is coming into greater usage as institutions deal with dissimilar institutions, i.e., a state university and a private institution or a community college and a four-year institution. The contractual and noncontractual agreements provide complementary efforts to create cooperative arrangements between all types of institutions, and thus, an academic common market is readily becoming a feasible possibility that can benefit the whole educational community.

Syracuse University (SU), a private institution, provides an example of a contractual agreement in their present involvement with the State University of New York (SUNY). The program, SUNY College of Environmental Science and Forestry, began in 1911 and has continued successfully for 63 years. Under terms of the agreement the College purchases from Syracuse University the major portion of its lower division instruction, thus allowing the College to more fully develop its professional senior division and graduate level instruction. Other cooperative areas are living centers and dining facilities, athletic programs, health and counseling services, bookstore facilities, the University library system, and participation in social activities. Every graduate of the program receives two diplomas, one from the College and one from Syracuse University (State University of New York 1974).

Another example of private-public institutional cooperation involves Millikin University and the Community College of Decatur (CCD) in Illinois. For the 1972-73 academic year, Millikin agreed to offer CCD certain courses on a contractual basis and also permit coenrollment of CCD students in specified Millikin lower division courses on a space-available basis. For all courses offered, the institutions agreed that: (1) CCD would have responsibility for registration, course material, scheduling, student evaluations, submission of grades, and disciplinary matters; (2) CCD would have the right to cancel any course if the total enrollment fell below ten students; and (3) Millikin would have the right to select faculty for the courses. During the three quarters of the 1972-73 academic year, Millikin offered on contract 35 class sections that represented 13 separate academic courses. In all, 574 CCD students received instruction in those courses (Bach 1974).

Although the Millikin-CCD arrangement has experienced problems in the areas of tuition, calendar year, and faculty salaries, the program has been beneficial to both institutions (Bach 1974). Millikin has been able to secure financial remuneration for increased usage of its facilities, and CCD has been able to offer a curricular breadth that would have been impossible under other circumstances.

Industry and Government Contracts. Industry and governmental agencies often provide an enormous new market of students for a college or university. Contracts with business or governmental agencies offer an institution of higher education: (1) an increase in tuition income, in many cases provided by the organization rather than the students; (2) an increase in usage of on-campus institutional facilities; or (3) the provision of on-site educational facilities, thus saving institutional resources. From the perspective of the organization, a contract with the college or university to provide instruction either on- or off-campus offers: (1) increased employee knowledge that will affect his or her attitude both on and off the job; (2) increased employee motivation and responsiveness to organizational needs; and (3) better community relations (AT&T News 1974b).

American Telephone and Telegraph (AT&T) is one of the growing number of companies recognizing the complex needs of its employees. In 1973, on-premise courses were incorporated into a Tuition Aid Program (AT&T News 1974a). Educational institutions providing continuing educational opportunities for AT&T employees include Fairleigh Dickinson University, Jersey City State College, Middlesex County College, and Pace University (AT&T News 1974b).

The AT&T contractual agreement with Pace University's Institute for Advanced Management offers employees two advanced degree programs in management designed to meet management development needs: an MBA in Advanced Management and an MS in Advanced Management. These courses are offered on company premises during working hours (AT&T General Departments Personnel 1974). Pace also offers two programs specifically designed for AT&T general department employees. These programs offer a Bachelor's degree in Business Administration and an Associate degree in Applied Science with a concentration in Business and Management (AT&T General Departments Personnel 1974).

Syracuse University, School of Management has an unusual contractual agreement with International Business Machines (IBM). IBM sends to campus 25 men from one unit who have 60 credit hours of undergraduate work to take a specially designed undergraduate program that terminates in a BS in Business Administration. Employees spend two months on-campus, four months away, two more months on-campus, four away, and two more on-campus. Students carry 15 to 18 hours of course work given by SU faculty when on-campus; when off-campus, they work on 6 hours of independent study projects. Students can thus complete 57

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to 73 credits within 14 months. This program represents the first time any corporation has sent such a large group to college for a bachelor's degree, simultaneously paying salaries and educational expenses (Syracuse News Bureau 1974).

Government contracts also provide a large potential market of students. Many colleges and universities provide programs to meet the needs of the United States Armed Forces. George Washington University, Golden Gate University, and University of Southern California (University Park) comprise only a few of the many institutions providing contractual agreements with the military (Pitchell 1973). Additionally, many federal agencies provide sources of contractual agreements. Syracuse University's University College Extension Unit offers the Maxwell Midcareer Development Program. The program contracts with the State Department, Department of Agriculture, and the Internal Revenue Service (IRS) to improve the managerial knowledge, skills and performance of government officials (Syracuse News Bureau 1974).

Other Organizations. Although business organizations and governmental agencies provide the financial assistance and numbers of potential students, various other agencies cannot be overlooked. Syracuse University has an agreement with the New York State Department of Education to provide a cooperative program between SU and public and private high schools as a service to the academically motivated, advanced high school student. The program, Project Advance, is designed to assist the high school student make the transition between secondary school and college work (Syracuse News Bureau 1974). Roosevelt University has contracts with the Chicago Board of Education for programs in some of the Chicago high schools (Martia 1974). Contracts with local boards of education provided, in many cases: (1) easier transition between secondary school and college work (Syracuse News Bureau 1974); (2) increased communication between both secondary schools and colleges, leading to program coordination, cooperative arrangements, and increased awareness of each institution's objectives; and (3) an increased market of students for the college.

Local city governments may provide new students through the fire departments or police departments. American University offers an Associate of Arts degree in Police Science and a Bachelor of Science in Administration of Justice to employees of the District of Columbia Police Department. AU also offers a program through the National Park Service which provides an Associate in Law Enforcement and a Bachelor of Science in Law Enforcement (Pitchell 1974).

Another potential area of contractual agreements encompasses the proprietary, vocational, or business schools. This area of agreement is relatively new, with only a few institutions taking advantage of the possibilities. The West Tennessee Business College, located in Jackson, Tennessee, has initiated a contractual agreement with Lane College, a four-year private school. A secretarial-clerical institute, designed to improve the skills and general knowledge of secretaries and clerical workers at Lane College, will use the West Tennessee Business College as an assisting agency (Reed 1974).

This type of agreement would be expanded, however, into a program similar to that of Billings Business College (BBC), Billings, Montana. Rocky Mountain College, in cooperation with Billings Business College, offers an Associate Degree in Business Administration. The faculty of Rocky Mountain College has approved certain courses taught at BBC in addition to the present curriculum at Rocky Mountain College (Rocky Mountain College 1974). This arrangement enables Rocky Mountain to offer a larger curriculum breadth, attracting more students, while eliminating the need for additional educational facilities. The Sterling School of Beauty Culture, Inc., Sterling, Illinois has contractual agreements with Sauk Valley College that allow students of the Sterling School to enroll in Cosmetology courses offered by Sauk Valley. A similar arrangement is offered through Illinois Valley Community College for students of the LaSalle School of Beauty Culture (Renner 1974). In both cases the cosmetology course offering is a 36 semester hour program and takes nine months of study. Graduates of the program will earn a Certificate in Cosmetology (Illinois Valley Community College 1974).

It is evident from the examples in the preceding paragraphs that any number of contractual agreements can be arranged that are mutually satisfactory to both parties. Contracts, however, should be entered into only if the institutions are willing to plan, evaluate, and investigate all the ramifications of the agreement. Without careful preparation, a situation similar to that of Northwest Missouri State University and Elba Systems Corporation could easily develop. Northwest Missouri and Elba Systems Corporation are partners in an "external degree" arrangement that has signed up thousands of veterans in more than 40 states for an insurance salesmanship course. The program, offering students a 60-hour "associate in technology" degree from Northwest Missouri, is presently under investigation by various agencies. Evaluation of the program by the Kentucky veteran's approval agency indicated: (1) "the level of instruction is below the level . . . usually found at the higher education level"; (2) "Northwest Missouri (University) . . . seems to have little, if anything, to do with the selling, operation, or implementation of this training course . . . Even the motel bulletin notices where classes are held list Elba . . . instead of Northwest Missouri . . ."; (3) "Some of the students enrolled were totally unaware that a college degree was involved in this program . . ."; (4) "We (the agency) also find it highly unusual and against the basic intent of the G.I. Bill to have veterans sign a power of attorney to a school for disbursement of their V.A. benefit payments" (Van Dyne 1974, p.4).

Problems of the contractual arrangements may stem from a lack of planning, evaluation and communication, as in the case of Northwest Missouri and Elba Systems Corporations (Van Dyne 1974). Additional problems, again as a result of the lack of preparation, may revolve around differences in tuition costs, calendar schedules, and faculty salaries (Bach 1974). Increased competition for students may result between the public and private sectors (Shell 1973) and among internal units of individual colleges and universities, as funds are distributed in relation to the number of student credit-hours produced (Leslie 1974). Each of these problems could, however, be eliminated through proper preparation and major efforts to communicate between both parties.

Institutions of higher education can employ contractual agreements to create a profitable relationship with various groups. This report has indicated examples of contracts between institutions and the state, other higher education institutions, industry, federal and local governments, boards of education, national associations, and proprietary and business schools. Each of these contractual arrangements dif-

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fers from the other in many respects, yet they all have one thing in common; they have reached out to meet community needs and have seen the potentiality for developing more programs along these lines.

SUMMARY

Contractual agreements may become a common means of helping to promote financial stability for institutions of higher education. Advantages of these agreements cover enrollments, physical facilities, and curriculum. Enrollments are increased since the contractual agreement is generally designed to sell resources to a new market student either through the state (Carnegie Commission 1972), institutions of higher education (SUNY 1974), industry (AT&T News 1974a), or various other organizations (Pitchell 1973). These new markets tend to alleviate financial stress through increased tuition income as well as greater on-campus facility usage, the use of on-site rather than on campus facilities, or the elimination of the construction of duplicate facilities (Carnegie Commission 1973b). Additionally, the contractual agreement may provide the elimination of duplicate programs and an increased curricular breadth, particularly in the case of interinstitutional agreements (Bach 1974).

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